



Tyson Foods, Inc.

## Tyson Foods Position Points Country of Origin Labeling

\* We at Tyson Foods believe mandatory country of origin labeling will hurt our livestock suppliers, our retail customers and our company. This measure – which we call “the law of unintended consequences” – should either be repealed or made permanently voluntary.

\* Mandatory labeling is unnecessary. Tyson has some experience marketing products -- consumers identify the Tyson brand as one of the strongest and most trusted in America. Yet, in all of the years of market research and consumer study conducted by Tyson, we have never seen evidence of customer demand for country of origin labeling on raw commodity products. Some say mandatory labeling is needed because of the consumer's right to know. However, this claim is flawed, because the law affects less than half the meat consumers buy. More than 50% of red meat sales are in restaurants, which are not covered by mandatory labeling.

\* It's too expensive. USDA, the American Meat Institute and others have analyzed the cost of implementing this measure. All of their estimates are in the billions in dollars. A recent Sparks Companies and Cattle Buyers Weekly study projects the annual cost of mandatory labeling for the combined beef and pork industries to be in the range of \$2 to \$2.5 billion. A study by economists for the U.S. pork industry and Iowa State University concluded this law will cost the hog production sector alone, an additional 10% or more than \$10 a head. An economist at Texas A&M, meanwhile, estimates start-up costs for just the beef industry at almost \$9 billion.

\* It will be a recordkeeping nightmare. There is no way to give consumers credible country of origin meat labels without requiring documentation and trace-back to each animal's birthplace. This means roughly 140 million cattle, sheep and hogs each year will potentially need “birth certificates” that must be verified and maintained.

\* Under the new law, livestock producers will likely have to provide:

- Third-party, verified documentation where their livestock were born and raised.
- A legal affidavit with each load of livestock stating a third-party, verified audit trail is in place.
- Access to their production records so we can perform random producer audits.

\* For a packer it means:

- Segregating all covered commodities by country of origin throughout the production chain.
- Putting approved country of origin stickers on all covered commodities.
- Maintaining records and a verifiable audit trail.

\* The consequences for false documentation are high. Retailers will be subject to enormous penalties -- \$10,000 per violation per day -- if federal investigators discover product is mislabeled at retail. However, if a packer mislabels a meat product's country of origin it also can result in a packer being in violation of other existing labeling laws, and for packers whose meat is mislabeled it's a criminal offense that could result in jail time, fines and disbarment.

# Testimony of Tyson Foods, Inc.

USDA Country of Origin Labeling  
Listening and Education Sessions  
*May 14, 2003*

Good afternoon, I'm Jo Ann Smith. I'm a Florida cattle producer and serve on the board of directors for Tyson Foods, the nation's leading producer of chicken, beef and pork. Since more than 60% of Tyson's annual sales are from red meat, the company is very concerned about mandatory country of origin meat labeling.

Unlike our vertically-integrated competitors in the red meat business, Tyson buys cattle and hogs from more than 20,000 independent livestock operations of all sizes to supply our plants. In turn, we produce 8,000 different beef and pork products for our customers.

Because some of our U.S. livestock suppliers raise animals born in Canada or Mexico, the new mandatory labeling law will force us to drastically increase the number of products -- or stock keeping units -- we produce. Instead of 8,000, our product offering could become as large as 20,000 to 40,000. In turn, we and our competitors will have to expand our material handling capabilities at a cost of millions of dollars, with no return on the investment.

I am here today because we at Tyson believe mandatory country of origin labeling will hurt our livestock suppliers, our retail customers, and our company. We believe this measure -- which we call "the law of unintended consequences" -- should either be repealed or made permanently voluntary.

Let me explain some other major reasons we oppose this law.

- **Reason #1: Mandatory labeling is unnecessary.** Tyson has some experience marketing products -- consumers identify the Tyson brand as one of the strongest and most trusted in America. We also manage more than 75 other brand names. All were created to meet specific market demands. Yet, in all of the years of market research and consumer study conducted by Tyson, we have never seen evidence of customer demand for country of origin labeling on raw commodity products. In fact, while

things like “quality” and “food safety” are customer priorities, country of origin labeling is not.

Some say mandatory labeling is needed because of the consumer’s right to know. However, this claim is flawed, because the law affects less than half the meat consumers buy. More than 50% of red meat sales are in restaurants, which are not covered by mandatory labeling.

In fact, all meat sold in this country must meet American food safety standards, with oversight by the USDA Food Safety Inspection Service. Consumers can feel confident that our government protects them by setting the same strict food safety rules for domestic and imported products.

- **Reason #2: It’s too expensive.** USDA, the American Meat Institute and others have analyzed the cost of implementing this measure. All of their estimates are in the billions in dollars. A recent Sparks Companies and Cattle Buyers Weekly study projects the annual cost of implementing and operating mandatory labeling for the combined beef and pork industries to be in the range of \$2 to \$2.5 billion. A study by economists for the U.S. pork industry and Iowa State University concluded this law will cost the hog production sector alone, an additional 10% or more than \$10 a head. An economist at Texas A&M, meanwhile, estimates start-up costs for just the beef industry at almost \$9 billion.

Even if consumers are willing to pay more for meat products sold under the “Made in the USA” label, there is no proof this willingness will be enough to offset this enormous expense. If consumers won’t pay, then the supply chain will pay, resulting in reduced income for producers, packers and retailers.

- **Reason #3: It will be a recordkeeping nightmare.** For those who thought filing taxes was a headache, just wait for mandatory labeling. As USDA representatives recently stated in a congressional hearing in Joplin, Missouri, there is no way to give consumers credible country of origin labels without requiring documentation and trace-back to each animal's birthplace. This means roughly 140 million cattle, sheep

and hogs each year will potentially need "birth certificates" that must be verified and maintained.

Tyson buys approximately 26 million head of cattle and hogs each year. Under the new law it is likely livestock producers will have to provide such things as:

- Third-party, verified documentation where their livestock was born and raised.
- A legal affidavit with each load of livestock stating a third-party, verified audit trail is in place.
- Access to their production records so we can perform random producer audits.

For a packer it means:

- Segregating all covered commodities by country of origin throughout the production chain.
- Putting approved country of origin stickers on all covered commodities.
- Maintaining records and a verifiable audit trail.

The consequences for false documentation are high. Retailers will be subject to enormous penalties -- \$10,000 per violation per day -- if federal investigators discover product is mislabeled. However, if a packer mislabels a meat product's country of origin, it also can result in a packer being in violation of other existing labeling laws, and for packers whose meat is mislabeled, it's a criminal offense that could result in jail time, fines and disbarment.

The bottom line is this: Mandatory country of origin meat labeling is rife with problems. If left in place, we believe it will be detrimental to livestock producers, retailers and food companies like Tyson Foods. Thank you for the opportunity to comment.